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SUBJECT: JAPANESE MORNING PRESS HIGHLIGHTS 01/15/08

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3) Prime Minister's Official Residence (Kantei)

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Prime Minister's schedule, January 11

NIKKEI (Page 2) (Full)

January 12, 2008

09:01

Attended a cabinet meeting. Chief Cabinet Secretary Machimura stayed on.

09:55

Met Vice Land and Transport Minister Minehisa at the Kantei.

11:31

Met special cabinet advisers Kurokawa and Okuda and cabinet councilor Nishimura in the presence of Machimura.

12:56

Chatted with former Prime Minister Mori in the Diet building. Afterwards attended a Lower House plenary session.

14:17

Met at the Kantei with Deputy Chief Cabinet Secretaries Iwaki and Futahashi, joined in by Machimura.

15:27

Met LDP constitutional council chairman Nakayama and his deputy Funada.

16:06

Met Cabinet Intelligence Director General Mitani, followed by Deputy Foreign Minister Yabunaka and Asian and Oceanian Affairs Bureau chief Sasaki.

17:00

Met LDP Reform Headquarters chief Takebe, followed by former Chief Cabinet Secretary Nakagawa and Economic and Fiscal Policy Minister Ota.

18:38

Met Assistant Deputy Chief Cabinet Secretary Saka.

19:04

Met Machimura, Iwaki, and Futahashi.

20:08

Dined at a Grand Prince Hotel Akasaka Chinese restaurant with Kantei officials and Machimura.

21:46

Returned to his residence in Nozawa.

Prime Minister's schedule, January 12

NIKKEI (Page 2) (Full)  
January 13, 2008

10:33

Visited the Setagaya Social Insurance Office with Social Insurance Agency Director General Sakano.

11:43

Dined at a Grand Prince Hotel Akasaka Japanese restaurant with his

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secretaries.

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12:38

Had a study session with Chief Cabinet Secretary Machimura and his deputies Futahashi, Iwaki and Ono at the Prime Minister's Official Residence.

17:34

Returned to his private residence in Nozawa.

Prime Minister's schedule, January 13

NIKKEI (Page 2) (Full)  
January 14, 2008

Spent all day at his private residence.

Prime Minister's schedule, January 14

NIKKEI (Page 2) (Full)  
January 15, 2008

10:42

Arrived at his official residence.

16:34

Watched the movie "Earth" with his wife, Kiyoko, at the Shinagawa Prince Cinema in the Shinagawa Prince Hotel.

18:22

Met GAGA Communications Chairman Yoda.

18:44

Returned to his official residence.

4) Poll: Cabinet support at 34 PERCENT

ASAHI (Page 1) (Abridged)  
January 13, 2008

The approval rating for Prime Minister Fukuda and his cabinet was 34 PERCENT in a telephone-based spot nationwide public opinion survey conducted by the Asahi Shimbun on Jan. 11-12 after the House of Representatives' overrode the House of Councillors' decision in a second vote to enact a new antiterrorism bill. In the last survey taken Dec. 19-20, the Fukuda cabinet's support rate was 31 PERCENT, hitting an all-time low. This time, it rebounded somewhat but was still low. The public is taking a severe view of the government's pension record-keeping flaws, a factor accounting for the low rate of public support for the Fukuda cabinet. The ruling coalition passed the new antiterrorism bill in a second vote in the House of Representatives after it was voted down in the House of Councillors. In the survey, respondents were asked if they thought it was appropriate to have done so. In response, public opinion was split, with "yes" and "no" even at 41 PERCENT.

The Fukuda cabinet's approval rating was over 40 PERCENT until early December last year. In the previous survey, however, approval plummeted due to the government's pension record-keeping mess. In the survey this time, respondents were asked if they appreciated the Fukuda cabinet's response to the pension issue. To this question, "yes" accounted for only 26 PERCENT (36 PERCENT in the last

survey), with "no" at 55 PERCENT (46 PERCENT in the last survey). As seen from these figures, the public's view of the issue is severer than in the last survey. Even among Fukuda cabinet supporters, "yes" accounted for 45 PERCENT , with "no" at 31 PERCENT .

In the last survey, which showed a sharp drop in the Fukuda cabinet's support rate, respondents were also asked if they thought it would be appropriate for the House of Representatives to enact the new antiterrorism bill in a second vote. To this question, 43 PERCENT answered "no," with 37 PERCENT saying "yes." As seen from these figures, negative answers outnumbered affirmative ones.

The Diet has now enacted the new antiterrorism special measures law, and Japan will resume the Maritime Self-Defense Force's refueling activities in the Indian Ocean. In the survey this time, respondents were asked if they thought Japan should do so. To this question, 48 PERCENT answered "no," with 34 PERCENT saying "yes." As seen from these figures, negative answers outnumbered affirmative ones. In the last survey, "no" (48 PERCENT ) topped "yes" (37 PERCENT ). This time, the gap widened further. When asked whether to support the new antiterrorism special measures law itself, 40 PERCENT answered "no," with 36 PERCENT saying "yes."

Respondents were further asked if they thought it would be appropriate for the House of Representatives to override the House of Councillors' decision in a second vote over other bills. To this question, "yes" accounted for only 18 PERCENT , with "no" at 35 PERCENT and "can't say which" at 44 PERCENT . Among those who support the ruling Liberal Democratic Party, about 70 PERCENT supported the House of Representatives' enactment of the new antiterrorism bill in a second vote. However, when it comes to the advisability of enacting other bills in a second vote, "yes" accounted for only 30 PERCENT among LDP supporters and 19 PERCENT among those who support New Komeito, the LDP's coalition partner. Even among those who support the ruling coalition, there are cautious views about the House of Representatives' option of overriding the House of Councillors' decision for other legislative measures.

5) Poll: Cabinet support rebounds to 41 PERCENT

TOKYO SHIMBUN (Page 1) (Abridged)  
January 13, 2008

Following the Diet passage of a new antiterrorism bill, Kyodo News conducted a telephone-based spot nationwide public opinion survey on Jan. 11-12. The rate of public support for the Fukuda cabinet was 41.4 PERCENT , up 6.1 percentage points from the last survey taken in December last year. The bounce can be taken as reflecting Prime Minister Yasuo Fukuda's political decision to help hepatitis C victims. In addition, his ruling coalition enacted the new antiterrorism law. However, the Fukuda cabinet's disapproval rating was 42.8 PERCENT and still outstrips its approval rating. The Fukuda administration is still facing difficulties in running its government.

The House of Councillors voted down the new antiterror legislation. After that, the House of Representatives overrode the upper chamber's decision in a second vote. In the survey, respondents were asked if they thought it was appropriate to have done so. In response, 46.7 PERCENT answered "no," with 41.6 PERCENT saying

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"yes." Asked whether to support the now-enacted new antiterrorism special measures law, public opinion was split, with 44.1 PERCENT saying "yes" and 43.9 PERCENT saying "no."

In the breakdown of public support for political parties, the ruling Liberal Democratic Party stood at 32.0 PERCENT , up 6.8 points. The leading opposition Democratic Party of Japan (Minshuto) was 27.0 PERCENT , down 1.5 points. The LDP ranked first again, topping the DPJ. New Komeito, the LDP's coalition partner, scored 4.4 PERCENT .

Among other political parties, the Japanese Communist Party was at 2.3 PERCENT , with the Social Democratic Party (Shaminto) at 1.5 PERCENT , the People's New Party (Kokumin Shinto) at 0.6 PERCENT , and the New Party Nippon (Shinto Nippon) at 0.4 PERCENT . The proportion of those with no particular party affiliation was 30.5 PERCENT .

6) Nikkei opinion poll: Support of revote on Indian Ocean refueling legislation registers 43 PERCENT ; Cabinet support rate almost unchanged at 42 PERCENT , with non-support rate at 38 PERCENT (Nikkei)

NIKKEI (Page 1) (Full)  
January 13, 2008

In a spot opinion poll that Nikkei carried out Jan. 11-12, 43 PERCENT of the public supported the Lower House's passage of the special measures law allowing resumption of the refueling mission in the Indian Ocean by overriding the Upper House's rejection of the bill. This was five points more than the 38 PERCENT who opposed the revote. The Fukuda Cabinet's support rate was 42 PERCENT , almost the same as last month's poll. The non-support rate was at 46 PERCENT , also almost unchanged from the last survey.

Although the override vote by the Lower House on the Indian Ocean refueling bill was singled out as symbolic of the lopsided situation in the Diet (with the opposition camp controlling the Upper House), there seemed to be little impact on the cabinet support rate. The non-support rate, however, was higher than the support rate for the second month in a row. It appears that the effect as before was more from such issues as the missing pension records and the defense ministry scandals (than the antiterrorism bill).

In case the Lower House will be forced to override (in the upcoming regular Diet session) the Upper House's rejection of a group of fiscal 2008 budget-related bills, including a measure maintaining the provisional high tax rate on special revenues designated for road construction that determines the price of gasoline, 42 PERCENT of the public was against the move, while only 36 PERCENT supported it. For the ruling parties, the hurdle of a revote on the budget-related bills directly related to the people's daily lives will prove to be much higher than that of the Indian Ocean refueling bill.

Respondents who did not support the cabinet were asked to pick several reasons why they chose that answer. At the top of the list, 51 PERCENT of the public cited a "lack of leadership," followed by 30 PERCENT , who chose, "because the policies are bad." The third most chosen answer was "because it is a Liberal Democratic Party (LDP) Cabinet," with 27 PERCENT . The top reason for supporting the cabinet with 39 PERCENT of the public was, "I can trust its character."

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Support for the LDP slipped two points to 36 PERCENT . The Democratic Party of Japan's (DPJ) support rate slid 4 points to 30 PERCENT . In the last poll, the margin between the rates of support for the two parties was only 4 points, but this time, it widened to 6 points.

The survey was carried out nationwide among men and women by Random Digital Dialing (RDD) by telephone. The effective response rate was 58.3 PERCENT , with 744 out of 1,277 households responding to the digitized calls.

7) Nikkei poll: 47 PERCENT do not appreciate the "way the Fukuda Cabinet does business," a three-point drop from the last survey, with the top reason being its economic policy (Nikkei)

NIKKEI (Page 2) (Full)  
January 14, 2008

In Nikkei's opinion poll carried out on Jan. 11-12, when respondents were asked whether they "appreciated" the Fukuda Cabinet's way of

doing business, 47 PERCENT answered negatively. This was a 3-point drop from the figure in the December poll, but it was far higher than the 34 PERCENT who said they "appreciated" it. As for the reason for the negative evaluation, 28 PERCENT cited the way it "tackled fiscal reconstruction and economic policy," changing places with the response, "handling of the pension issue," which topped all others in the last poll. The apparent reason for the shift seems to have been the effect of the falling stock market and other economic issues.

The most chosen reason for those who positively evaluated the cabinet's performance was its handling of the pension issue, with 25 PERCENT. Although the poll was taken right after the passage of the Indian Ocean refueling bill, no more than 13 PERCENT of the public picked the answer, "response to the issue of antiterrorism assistance."

When analyzing party-specific support, 54 PERCENT of Liberal Democratic Party (LDP) supporters gave the cabinet high marks for the way it did business, while 60 PERCENT of the New Komeito supporters felt the same. Both responses were a majority view. However, 69 PERCENT of Democratic Party of Japan (DPJ) and 56 PERCENT of unaffiliated voters were unappreciative of the way the cabinet ran the government.

Only 32 PERCENT of male respondents were appreciative of the Fukuda cabinet's performance, while 51 PERCENT were not. Among women, 36 PERCENT gave it high marks, but 46 PERCENT did not.

8) Ruling coalition readopts new antiterrorism bill with first two-thirds vote in Lower House in 57 years

TOKYO SHIMBUN (Top Play) (Lead paragraph)  
January 12, 2008

The new antiterrorism special measures bill to allow the Maritime Self-Defense Force (MSDF) to resume its refueling activities in the Indian Ocean was readopted in the Lower House plenary session on the afternoon of Jan. 11 with a two-thirds majority of the ruling Liberal Democratic Party (LDP) and its coalition partner New Komeito members based on Article 59 of the Constitution. With the passage of

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the new antiterrorism bill, the focus in the Diet will move to a battle between the ruling and opposition camps over bills related to the fiscal 2008 budget in the upcoming regular session set to convene on the 18th. In order to pass these bills through the Diet, the government and ruling coalition are determined not to refrain from taking the rare step of overriding an Upper House rejection. However, the main opposition Democratic Party of Japan (DPJ or Minshuto) is seeking the right timing to submit a censure motion against Prime Minister Yasuo Fukuda. As it stands, the wrangling between the ruling and opposition blocs over budget-related bills is certain to lead to dissolution of the House of Representatives.

9) Lower House plenary session over new antiterrorism bill lacks tension; DPJ President Ozawa leaves session without casting ballot

TOKYO SHIMBUN (Page 1) (Full)  
January 15, 2008

Despite the historical significance of the House of Representatives overriding a House of Councillors' rejection of a bill for the first time in 57 years to pass the new antiterrorism special measures bill to resume Japan's refueling mission in the Indian Ocean, the parliamentary proceedings went smoothly and lacked tension.

Around 2:00 p.m. when the vote-taking started, some ruling camp lawmakers were heard voicing enthusiasm. It was the only time that there was a stir in the session. Jeering by ruling coalition members failed to prevent opposition legislators from delivering speeches opposing the enactment of the antiterrorism bill. Even some ruling camp members were smiling when casting their vote.

The opposition parties did not take any strategy of dragging out the vote by using such tactics as a filibuster or ox-walk.

The only event of import was when ruling and opposition Diet steering committee members gathered around the chairman's seat to confer about the contents of a speech by DPJ lawmaker Yoshito Sengoku. The plenary session ran about one hour as scheduled without heated battles between the ruling and opposition camps.

For the ruling bloc, enacting the new antiterrorism bill by a two-thirds lower chamber override vote was the predetermined policy course, because the number of Lower House members (336) from the ruling Liberal Democratic Party (LDP) and its coalition partner New Komeito exceeds the 320 seats needed for an override. A senior ruling camp member pointed out prior to the plenary session: "We have to just cast our ballot today."

It was unexpected that DPJ President Ichiro Ozawa left the session, abstaining from voting. At 1:39 p.m. when Ozawa left the session during a speech by a Social Democratic Party member, a DPJ lawmaker voiced: "Ozawa disappeared!" Another LDP member jeered: "(Ozawa) favors the (government's bill). It's a rebellion."

10) Ruling camp to scrap DPJ Iraq bill but to continue discussion on its counterproposal to new antiterrorism bill

SANKEI (Page 5) (Excerpts)  
January 15, 2008

The government and the ruling camp decided yesterday to scrap the bill intended to withdraw the Air Self-Defense Force (ASDF) from

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Iraq, which was submitted to the Diet by the Democratic Party of Japan (DPJ) and adopted in the House of Councillors. But they have decided to continue to deliberate in the ordinary Diet session to start on Jan. 18 on the Afghanistan reconstruction special measures bill that the DPJ submitted as a counterproposal to the government's new antiterrorism bill. The government seems to be aiming to underscore its willingness to discuss the Afghanistan bill with the main opposition party, with the aim of paving the way for permanent legislation to enable Self-Defense Force (SDF) troops to be dispatched overseas as required.

The House of Representatives antiterrorism special committee, chaired by Takashi Fukaya, will decide today, the last day of the current extraordinary Diet session, to discuss the Afghanistan bill at the ordinary Diet session.

But the Iraq bill calls for immediately withdrawing ASDF troops on an airlift mission for multinational forces in Iraq. Since such a call is hard for the government and the ruling parties to accept, they will kill the bill without taking procedures for continued debate.

The DPJ's Afghanistan bill allows the dispatch of SDF troops only for humanitarian and reconstruction assistance, such as providing medical services and transporting aid materials. Given this, the government has decided to continue deliberations on the bill. A senior member of the Liberal Democratic Party Diet Affairs Committee said: "The bill contains measures that could lead to permanent legislation. It may be possible for the ruling camp to reach an agreement with the DPJ. Through deliberations, we can underline a lack of unity in the DPJ."

11) LDP determined to put bill amending gas tax to second vote; DPJ hints at submitting censure motion against premier

YOMIURI (Page 1) (Excerpts)  
January 14, 2008

Liberal Democratic Party (LDP) Secretary General Ibuki on Jan. 13 clarified his party's decision to aim at securing Diet approval within the current fiscal year for a bill amending the Special Tax Measures Law, one of the most contentious issues in the upcoming regular Diet session, and putting it to a second vote in the Lower House if the opposition camp votes it down (in the Upper House). In opposition, Democratic Party of Japan (DPJ) Diet Affairs Committee



Chairman Kenji Yamaoka hinted at the possibility of submitting a censure motion against Prime Minister Fukuda. The situation is now beginning to assume a serious aspect of the ruling and opposition camps colliding head-on.

The legislation is aimed at maintaining the provisional tax rate imposed on gasoline and the small- and medium-sized businesses investment promotion tax system, which expire at the end of March. If the bill fails to obtain Diet approval within the present fiscal year, the provisional rate added to the gasoline tax would be scrapped, lowering gasoline taxes starting in April. However, there is also the possibility of a tax break for small- and medium-size businesses that made investment being scrapped.

Referring to the amendment bill, Ibuki on a Fuji-TV talk show indicated his perception that it would be impossible for the bill to clear the Lower House before the end of January, noting, "It would

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be impossible in terms of time." However, he noted, "The ruling parties will approve it again in the Lower House if the DPJ opposes it."

12) LDP's action plan for 2008 filled with alarm about political situation

TOKYO SHIMBUN (Page 2) (Full)  
January 15, 2008

In the wake of its crushing defeat in last year's House of Councillors election, the ruling Liberal Democratic Party (LDP) has issued an action plan for 2008, which will be adopted in its convention on Jan. 17. The plan contains analysis on the outcome of the Upper House race in the beginning part. Revising completely last year's action plan, the LDP this time expresses a sense of alarm toward the next House of Representatives election.

The LDP will adopt the action plan at its annual convention. Over the past several years, the party subtitled the 2006 action plan, "Reform and Acceleration," and the 2007 one, "Japan, A Beautiful Country" -- catch phrases used in the party leadership races.

However, the party did not use Prime Minister Yasuo Fukuda's catch phrase "Integrity and Steadiness" for its action plan for 2008. It subtitles the action plan as "Stand up LDP with Fresh Determination and More Challenges," reflecting the current political situation.

Party Organization Headquarters Chief Goji Sakamoto, who chaired the action plan panel, said: "It will take 2 to 5 years for us to implement our measures fully. But we have to use severe expressions for this year's action plan, with the Lower House election in mind."

The 2008 action plan gives priority to measures to narrow the economic disparities in society, revitalize agriculture, forestry and fisheries and small business, as well as to provide social capital improvement in regional areas.

Sakamoto pointed out: "As a result of pushing forward with policy measures related to the shape of nation such as constitutional and educational reforms, the public misunderstood, taking it that the LDP was ignoring average people and local areas."

General Council Chairman Toshihiro Nikai stated that the party would stress Fukuda's political identity of making efforts to dispel public anxiety this year.

It is difficult to show the differences of the plan from that of the main opposition Democratic Party of Japan (DPJ), which has played up efforts to give priority to the livelihoods of average people. Secretary General Bunmei Ibuki, however, emphasized: "The DPJ's

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policies are just product catalogs. No one has the products in their hands. Since the LDP takes charge of the government, we do not make false pledges."

13) Defense Ministry eyes making new air defense system operational before year's end allowing it to track ballistic missiles and increase response to state-of-the-art fighter jets

NIKKEI (Page 2) (Full)  
Evening, January 12, 2008

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The Defense Ministry will introduce a new air defense system against suspicious fighters' intrusions into Japan's airspace, possibly by the end of the year. The new system equipped with improved detecting and tracking functions enables Japan to acquire incoming high-speed ballistic missiles. It is also aimed at increasing the efficiency of the missile defense (MD) system, now being deployed. Stepping up cooperation with regional air defense commands in the country as well as with U.S. forces in Japan, the ministry will strengthen the country's capability to respond to the state-of-the-art fighters, now being deployed in China, Russia and other countries.

The system that will become operational is called the Japan Aerospace Defense Ground Environment (JADGE) system. The current system has been improved since fiscal 2004. A total of some 51 billion yen will be invested in the system by the end of fiscal 2008. The ministry intends to make the system fully operational in fiscal 2009.

A projectile that entered Japan's air defense identification zone will be detected by 28 air-defense radar sites and airborne warning and control system (AWACS) aircraft. The ASDF Air Defense Command (in Fuchu, Tokyo) and four regional air defense commands will formulate a strategy after determining if the projectile is a friend or foe based on trajectory data and other information.

The system is designed to deal with the MD system with the aim of improving the accuracy of tracking ballistic missiles that travel at a speed of Mach 7-8. The Defense Ministry is hopeful that participation in the JADGE system by satellites, Aegis-equipped vessels, and the FPS-5 state-of-the-art radar system will enable the country to project a landing spot in a short period of time thereby allowing it to intercept an incoming ballistic missile accurately.

Allowing the country to deal with trajectories of many aircraft simultaneously, the country's readiness against fourth-generation high-performance fighters that are increasing in such countries as Russia and China will also be increased. There has been concern that in the event a suspicious plane crossing the air defense identification zone, teamwork between the regional air defense forces might not work smoothly. The new system is expected to facilitate their teamwork more easily in carrying out operational plans.

#### 14) Gist of new antiterrorism legislation

SANKEI (Page 5) (Full)  
January 12, 2008

##### Basic rules

Refueling support activities shall not constitute threat of force or the exercise of force. Refueling support activities shall be limited to Japanese territories and areas free from act of combat and the following areas where acts of combat are not expected to occur throughout the period Japan will be engaged in support activities:

1. On the high seas (Indian Ocean including the Persian Gulf)
2. Territories of other countries (limited to cases where there are concurrences of countries concerned regarding Japan's refueling support activities)

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##### Definitions

¶1. Antiterrorism maritime interdiction operations: Of the activities carried out by foreign military forces, antiterrorism maritime inspections mean inspections of ships cruising in the Indian Ocean and the subsequent necessary steps with the aim of blocking the maritime movement of terrorists and weaponry.

¶2. Refueling support activities mean SDF activities to provide supplies and services (limited to providing fuel and water to vessels and bladed aircraft mounted on vessels) to vessels of foreign militaries that are engaged in the antiterrorism maritime interdiction operations.

#### Weapons use

SDF personnel ordered to carry out refueling support activities are allowed to use weapons in the event there is an appropriate and rational reason to use weapons in defending themselves, other SDF personnel, or those in their control.

In the event there is a supervisor, an SDF officer must follow his order in using weapons. However, this rule does not apply to a case in which one's life is in imminent danger and there is no time to seek a supervisor's order.

15) Transport ministry eyes legislation to crack down on unidentified foreign vessels

NIKKEI (Top Play) (Excerpts)  
January 15, 2008

The Ministry of Land, Infrastructure, and Transport is considering a law to crack down on unidentified foreign ships intruding in Japanese territorial waters. The new legislation would ban suspicious ships from anchoring without a proper reason. The law would enable the Japan Coast Guard (JCG) to conduct a boarding inspection and issue an order to leave the territorial waters or to place such vessels under its custody. The ministry aims to submit a bill to the ordinary Diet session to be convened on Jan. 18. The move is part of efforts to beef up security by preparing a clear legal basis for territorial protection by the JCG.

A nation's sovereign waters are within the 12-mile territorial limit. The United Nations Convention on the Law of the Sea recognizes the right of innocent passage, a regime of free navigation in coastal waters of third states. In view of preventing foreign vessels intruding into territorial waters from threatening the peace and safety of the coastal countries concerned, the UN convention allows coastal countries to take necessary measures.

Russia, China, and South Korea have enacted control laws, but Japan has yet to prepare such comprehensive legislation. To deal with unidentified foreign ships idling in Japanese territorial waters, Japan has applied the Fisheries Law, the Japan Coast Guard Law, and the Self-Defense Law. If a fishing boat is found to be engaged in fish poaching, the JCG will conduct a boarding inspection on suspicion of a violation of the Fisheries Law and will pursue the ship if it speeds away.

But in the case of mooring cargo vessels or those not engaged in fishing operations, it is difficult to judge whether they are conducting illegal operations. In many cases, even if such ships

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refuse an on-board inspection and flee, the JCG can do nothing.

The Japan Coast Guard Law allows patrollers to use weapons against a fleeing unidentified ship, based on the judgment that the ship may be involved in a vicious crime. But whether weapons are actually used hinges on a case-by-case judgment.

Under the envisioned new legislation, foreign vessels would be allowed to anchor in Japan's territorial waters only when there are appropriate reasons, such as cases of avoiding danger from severe weather or an accident, as well as lifesaving. The legislation would allow the JCG to carry out an on-board inspection and to issue an order to leave Japanese territory.

16) Although China floated idea of joint gas-field development in waters near median line close to Japanese territory, no agreement reached

SANKEI (Top play) (Excerpts)  
January 14, 2008

Japan and China have differing views over what waters in the East China Sea where they could jointly develop gas fields. To resolve this issue, the Chinese side during working-level talks held ahead of the Japan-China summit meeting late December between Prime Minister Yasuo Fukuda and Chinese Premier Wen Jiabao, floated for the first time to the Japanese side a plan to jointly develop gas fields in the East China Sea, sources revealed yesterday. This proposal is taken as indicating a certain level of concession by the Chinese side, which until then had insisted that the sea area located in between the median line and the Okinawa Trough was in dispute. But because China did not agree at all to explore gas fields in waters near the Chinese territory close to the median line, as called for by Japan, the negotiations eventually ruptured.

On the question of the Japan-China border line in the East China Sea, Japan has insisted that the border be the median line that is located at the same distance from the coastlines of the two countries, but China has claimed that the Okinawa Trough stretching to the western side of the Okinawa islands is the border line. The two countries began their bureau director-level talks on the joint gas-field development in 2004, but the negotiations failed to reach accord because both sides stuck to their basic stances about the border line.

In the negotiations last November, however, Japan sounded out the possibility of jointly exploring gas fields first in some sea areas that are part of Japanese territory starting from the median line, if China accepted a plan to jointly develop gas fields in the areas across the median line. China, which will not agree to use the median line as the border line, rejected Japan's proposal. In the latest talks, however, China offered a plan for joint gas-field development in sea areas near the median line. This move could be taken to mean that China, taking advantage of an opportunity of Prime Minister Fukuda's visit to China, was willing for the first time to show a certain degree of understanding toward Japan's position.

According to a government official, however, Japan insisted that the matter concerns national sovereignty, and that unless joint gas-field development in both the Japanese waters and the Chinese waters across the median line is specified in a statement, Japan

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could not accept China's offer. The negotiations intermittently continued minutes before the Japan-China summit talks, but both sides could not find middle ground.

17) U.S. beef that violated import conditions may have been sold: MAFF reveals arrival of shipment containing beef from cattle over 20 months

NIHON KEIZAI (Page 3) (Excerpts)  
January 13, 2008

The Ministry of Agriculture, Forestry and Fisheries (MAFF) and the Ministry of Health, Labor and Welfare (MHLW) on Jan. 12 revealed that U.S. beef violating the import condition that limits beef eligible for exports to cattle aged 20 months or younger was shipped to Japan and that these products may have been sold. There have been shipments of beef violating the import conditions in the past as well. However, this is the first case of products violating the import condition actually being sold to consumers. MAFF takes the position that since the case was due to human error, there is no need to totally ban U.S. beef imports.

Smithfield's Pennsylvania plant shipped the product in question. About 1.3 tons of beef from cattle aged 21 months was contained in its Japan-bound shipments of 21.3 tons of beef and tongue, of which

17 tons, or 1,264 boxes, were actually shipped to Japan. Importers sold about half of the products shipped to Japan to other domestic retailers. Their whereabouts are not known.

The error happened because the plant mistakenly input "aged 21 months or younger" instead of "aged under 21 months" in its computer beef control program. The error had continued since November last year. The U.S. government's regular inspection in January found the programming error. The U.S. side informed Japan of the error on Jan. 12.

MAFF and the MHLW stopped imports of products from the plant in question as of the 12th. They also ordered Marudai Food Co. and Shinwa-Ox, importers of the products in question, to stop selling and recall the products.

The MHLW released a statement saying: "It will take several weeks to determine the whereabouts of half of the cartons. As two months have passed since the error occurred, there is a possibility that consumers have already bought the beef."

However, since specified risk materials (SRM), which are believed to pose a relatively large risk of BSE transmission, were not included, the MHLW takes the position that it is unlikely that eating the products in question would cause any health problems.

18) Japan loses part of interests in development of oil fields in Caspian Sea: Kazakhstan state-run company increases its stock holding

NIKKEI (Page 1) (Slightly abridged)  
January 15, 2008

The Kashagan oil field in the Caspian Sea in Kazakhstan is one of the greatest oil development projects led by foreign companies. The Kazakhstan government on Jan. 14 announced that it reached an agreement with the foreign companies that its state-run company will

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increase its stake. As a result, a Japanese company taking part in the project will also transfer part of its interests. Foreign companies had to give up a majority of the management rights in Sakhalin 2, Russia's natural resources development project. They have apparently once again been deprived of part of their interests in the Kazakhstan project due to the nation's resource-hoarding policy.

Kazakhstan Energy and Mineral Resources Minister Mynbayev revealed the agreement reached between his nation and foreign companies. According to the agreement, KazMunay Gas (KMG), the nation's state-run company, will raise the ratio of its stock holding from the current 8.33 PERCENT to 16.81 PERCENT by purchasing stocks from foreign companies taking part in the project. The amount of the purchases is 1.78 billion dollars (approximately 190 billion yen). Mynbayev revealed that the start of production will be delayed until 2011 and said that payments would be made after the production started.

As a result, KMG's stock holding would become almost equal to four foreign companies, such as Ente Nazionale Idrocarburi (ENI), which have held 18.52 PERCENT as top shareholders. Japan's consortium consisting of Inpex Corporation and Mitsubishi Corporation, has invested in the project. Their share will likely drop to 7.56 PERCENT .

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